

SUBCHAPTER E—AFFORDABLE HOUSING

PART 960—AFFORDABLE HOUSING PROGRAM

Sec.

- 960.1 Definitions.
- 960.2 Establishment of program.
- 960.3 Use of subsidized advances and direct subsidies.
- 960.4 Applications for funding.
- 960.5 Project scoring and funding.
- 960.6 Reporting requirements.
- 960.7 Monitoring.
- 960.8 Recapture.
- 960.9 Maximum subsidy.
- 960.10 Annual contributions.
- 960.11 Temporary suspension of contributions.
- 960.12 Affordable Housing Reserve Fund.
- 960.13 Coordination.
- 960.14 Advisory Councils.

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§ 960.1 Definitions.

(a) *Advances* means extensions of credit by Banks to members under the provisions of 12 CFR part 935 and this part 960.

(b) *Affordable for very-low income households* means the monthly housing expense charged to tenants for rental units made available for occupancy by very low-income households shall not exceed 30 percent of the income of a very low-income household, adjusted for family size.

(c) *Area* means a metropolitan statistical area, a county, or a nonmetropolitan area, as established by the U.S. Office of Management and Budget.

(d) *Bank(s)* means a Federal Home Loan Bank established under the authority of the Federal Home Loan Bank Act.

(e) *Board* means the Federal Housing Finance Board or an official duly authorized to act on its behalf.

(f) *Cost of funds* means the estimated cost of issuing Bank System consolidated obligations with maturities comparable to those of the subsidized advances, as published from time to time by the Federal Home Loan Bank System's Office of Finance.

(g) *Low- and moderate-income households* means households for which the

aggregate income is 80 percent or less of the area median income.

(h) *Median income* means the median family income for an area as determined and published by the U.S. Department of Housing and Urban Development.

(i) *Member* means an institution admitted to membership in a Federal Home Loan Bank.

(j) *Net earnings of a Bank* means the net earnings of a Bank for a calendar year after deducting the Bank's *pro rata* share of the annual contribution to The Resolution Funding Corporation.

(k) *Program* means the Affordable Housing Program established by this part.

(l) *Rural* means any open country, or any place, town, village, or city which is not part of or associated with an urban area and which has a population not in excess of 2,500 inhabitants, or has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or has a population in excess of 10,000 but not in excess of 20,000 and is not contained within a standard metropolitan statistical area, and has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development. Any area classified as rural prior to October 1, 1990, and determined not to be rural as a result of data received from or after the 1990 decennial census shall continue to be so classified until the receipt of data from the decennial census in the year 2000, if such area has a population in excess of 20,000 but not in excess of 25,000 is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families.

(m) *Sponsor* means a nonprofit or for-profit organization or public entity that is integrally involved in a project, such as exercising control over the planning, development, and/or management of a project.

(n) *Subsidy* means the direct cash payments under the Program or the net present-value of the foregone interest revenues to the Bank from making

Federal Housing Finance Board

§ 960.4

funds available under the Program at rates below the cost of funds.

(o) *Very low-income households* means households for which the aggregate income is fifty percent (50%) or less of the area median income.

§ 960.2 Establishment of program.

(a) It is the policy of the Board and the Banks to promote decent and safe affordable housing and to address critical affordable housing needs through the use of subsidized advances, direct subsidies, and other assistance to members.

(b) Each Bank's board of directors shall adopt an annual implementation plan consistent with Federal Home Loan Bank Act, 12 U.S.C.A. 1430(j) ("the Act"), and this part to provide subsidized advances, direct subsidies, or other assistance to members engaged in long-term lending that provides owner-occupied and rental housing affordable to very low-, low-, and moderate-income households. A copy of the Bank's plan shall be submitted to the Board annually.

(c) The Program will be carried out in accordance with the requirements of the Fair Housing Act, 42 U.S.C. 3601-19, and other applicable civil rights laws and regulations.

§ 960.3 Use of subsidized advances and direct subsidies.

(a) *General.* (1) Funds under each Bank's Program shall be used to provide subsidized assistance to members engaged in lending for activities eligible to receive subsidized assistance pursuant to the provisions of section 10(j) of the Act and this part. Subsidized advances made under the Program shall be consistent with the provisions of the Act and the regulations applicable to advances in general contained in 12 CFR part 935, except to the extent modified by this part. Direct subsidies and other assistance provided to members shall comply with the provisions of this part.

(2) In making extensions of credit under the Program, members shall use prudent, flexible, and innovative underwriting standards. Members shall maintain safe and sound lending practices, consistent with the requirements of their primary regulator, and de-

signed to return a profit, but members will be encouraged and assisted in funding qualified projects that do not meet customary underwriting criteria or existing secondary mortgage market requirements or for which no secondary market exists. The Board and the Banks shall encourage and assist the development of new secondary markets for projects funded by the Program.

(b) *Authorized uses.* All members receiving subsidized advances, direct subsidies, and other assistance from a Bank shall use the proceeds of such subsidies and the benefits of such assistance to:

(1) Finance the purchase, construction, and/or rehabilitation of owner-occupied housing for very low-, low-, and moderate-income households; or

(2) Finance the purchase, construction, and/or rehabilitation of rental housing, at least twenty percent (20%) of the units of which will be occupied by and affordable for very low-income households for the remaining useful life of such housing or the mortgage term.

(c) Program funds may only be used for direct costs required to produce and/or finance affordable housing units.

(d) Each Bank shall ensure that the preponderance of assistance provided by the Bank is ultimately received by very low-, low-, and moderate-income households.

§ 960.4 Applications for funding.

(a) Except as provided in § 960.5(g), the Program is based on District-wide competitions administered by the Board. Banks may accept applications for funding during two of four quarterly application periods each year, as announced by the Banks no later than December 1 of the preceding year. Applications must be received by the 15th day of each quarter (January, April, July, October), or the next subsequent business day if the 15th falls on a weekend or holiday. For 1991, Banks may accept applications for funding on two of three dates, which dates are April 15th, July 15th, and October 15th.

(b) Each Bank shall notify its members of the approximate amount of annual program funds available for the District, and the approximate amount to be offered in each funding period.